

Message Text

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PAGE 01 MANILA 01172 01 OF 03 240400Z

ACTION EA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 NRC-05 AGRE-00
ACDA-12 /103 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 704

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMCONSUL HONG KONG

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

CINCPAC

LIMITED OFFICIAL USE SECTION 1 OF 3 MANILA 1172

CINCPAC FOR POLAD

E.O. 11652: NA

TAGS: EINV, ECON, RP, PINT

SUBJECT: PRESIDENT MARCOS RAPS WITH REPRESENTATIVES OF FOREIGN
BUSINESS COMMUNITY

BEGIN SUMMARY. IN A QUICKLY ARRANGED CONFERENCE AT THE PALANCE
ON SATURDAY, JANUARY 21, PRESIDENT MARCOS SOUGHT TO ASSURE
FOREIGN AND DOMESTIC BUSINESSMEN OF HIS PRIMARY INTEREST IN
THE PRIVATE SECTOR CONTINUING AS AN ENTHUSIASTIC PARTNER IN
BUILDING THE "NEW SOCIETY." HE PROVIDED AN UP-BEAT DOMESTIC
POLITICAL FORECAST FOR 1978, AND ASSERTED HIS GOVERNMENT'S
KEEN INTEREST IN RESOLVING THE IMPORTANT PROBLEMS OF THE
BUSINESS COMMUNITY. ACCORDINGLY, HE INVITED THE ASEEMBED
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PAGE 02 MANILA 01172 01 OF 03 240400Z

BUSINESSMEN TO GET IN TOUCH WITH HIS ECONOMIC MINISTERS AND
HIMSELF IF NECESSARY ON THESE PROBLEMS, AND ASSURED THEM THAT
THERE WAS NO SPECIAL OR PRIVILEGED ACCESS TO THE PALACE. IN
SUBSEQUENT EXCLUSIVE SESSION WITH AMERICAN BUSINESSMEN,
PRESIDENT LISTENED AND RESPONDED TO SPECIFIC CONCERNS
RAISED BY HALF A DOZEN U.S. COMPANY REPS. AS TO WHY THIS
CONFERENCE AT THIS TIME, EMBASSY BELIEVES THAT MARCOS

WISHED TO COUNTERACT RECENT ADVERSE PUBLICITY IN U.S. PRESS CENTERING AROUND HERMINIO DISINI'S INVOLVEMENT IN WESTINGHOUSE NUCLEAR POWER PROJECT IN BATAAN AND MAINTAIN CONFIDENCE OF FOREIGN AND DOMESTIC INVESTORS IN THE MARTIAL LAW REGIME. END SUMMARY.

1. PRESIDENT MARCOS ON SATURDAY, JANUARY 21 MET WITH SOME 70 REPRESENTATIVES OF THE FOREIGN AND FILIPINO BUSINESS COMMUNITY AT MALACANANG TO EXCHANGE VIEWS AND DISCUSS PROBLEMS. WITH MARCOS WERE SECRETARIES OF INDUSTRY VICENTE PATERNO, FINANCE CESAR VIRATA, NEDA GERARDO SICAT, TRADE TROADIO QUIAZON AND AGRICULTURE ARTURO TANCO, AND UNDERSECRETARY OF INDUSTRY GABRIEL ITCHON AND FINANCIAL ASSISTANT RUBEN ANCHETA. REPRESENTATIVES OF THE BUSINESS SECTOR WERE FROM THE AMERICAN CHAMBER OF COMMERCE, THE JAPANESE CHAMBER OF COMMERCE AND INDUSTRY, EUROPEAN COMPANIES DOING BUSINESS IN THE PHILIPPINES, THE FEDERATION OF FILIPINO-CHINESE CHAMBERS OF COMMERCE AND INDUSTRY, THE PHILIPPINE CHAMBER OF INDUSTRY, THE CHAMBER OF COMMERCE OF THE PHILIPPINES AND THREE OTHER PHILIPPINE CHAMBERS. THE MEETING WAS BROADCAST LIVE OVER RADIO AND TELEVISION, AND THE TELECAST WAS RERUN SATURDAY EVENING. THE MEETING LASTED ABOUT ONE HOUR AND WAS FOLLOWED BY A 45- MINUTE SESSION OF THE PRESIDENT AND HIS ADVISORS WITH THE AMERICAN DELEGATION EXCLUSIVELY. THE EMBASSY'S ECONOMIC COUNSELOR WAS PRESENT AT BOTH SESSIONS. LIMITED OFFICIAL USE

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PAGE 03 MANILA 01172 01 OF 03 240400Z

2. IN HIS OPENING STATEMENT OF ABOUT TEN MINUTES, MARCOS ANNOUNCED THERE WOULD BE TWO ELECTIONS THIS YEAR, ONE FOR THE INTERIM BATASANG PAMBANSA ON APRIL 2 AND ONE FOR LOCAL OFFICIALS IN NOVEMBER OR DECEMBER. HE NOTED THAT THE FIGHTING IN MINDANAO HAD SUBSIDED TO A MANAGEABLE LEVEL, WHICH COULD MAKE PARTIAL OR TOTAL LIFTING OF MARTIAL LAW POSSIBLE THIS YEAR. HE SAID HE HAD CALLED THE FOREIGN BUSINESSMEN TO THIS MEETING BECAUSE HE WANTED TO STAY CLOSE TO THE PRIVATE SECTOR AND BECAUSE OF REPEATED REQUESTS FROM THE FOREIGN INVESTORS FOR A CONFERENCE OF THIS NATURE. HE URGED THE FOREIGN EXECUTIVES TO DEAL DIRECTLY WITH HIS CABINET SECRETARIES IN SOLVING THEIR PROBLEMS BUT OFFERED HIS OWN SERVICES IF NECESSARY. HE MADE IT CLEAR THAT THERE WERE NO SPECIAL OR PRIVILEGED ACCESS ROUTES TO THE MALACANANG; AND ADVISED THAT FASTER ACTION COULD BE OBTAINED FROM HIS CABINET OFFICERS, ALTHOUGH HE WAS RECEPTIVE TO RECEIVING COPIES OF IMPORTANT COMMUNICATIONS FROM THE BUSINESS SECTOR. HE SAID ALSO THAT "THIS YEAR 1978, WE WILL HAVE FINISHED THE NEGOTIATIONS ON THE MILITARY AGREEMENTS BETWEEN THE UNITED STATES

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PAGE 01 MANILA 01172 02 OF 03 240555Z
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ACDA-12 /103 W

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R 240245Z JAN 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 705
INFO AMEMBASSY BANGKOK
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LIMITED OFFICIAL USE SECTION 2 OF 3 MANILA 1172

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AND THE PHILIPPINES". IN SUMMARY, HE ATTEMPTED IN
HIS OPENING STATEMENT TO DESCRIBE THE FAVORABLE CLIMATE
FOR PRIVATE BUSINESS IN THE PHILIPPINES THROUGHOUT 1978
AS HE FORESAW THE POLITICAL SITUATION UNFOLDING.

3. WITH SECRETARY PATERNO MODERATING, THE SPOKESMAN FOR
EACH OF THE BUSINESS GROUPS REPRESENTED WAS IN TURN GIVEN
THE FLOOR TO RAISE QUESTIONS AND MAKE STATEMENTS.
PRESIDENT OF THE AMERICAN CHAMBER GEORGE SUTER (PFIZER)
LED OFF, RAISING THE MATTER OF THE PATENT LAW CHANGES
PROMULGATED IN PRESIDENTIAL DECREE 1263 OF DECEMBER 14,
1977 (MANILA 1095) AND POINTING OUT THAT TWO FEATURES OF
P.D. 1263, COMPULSORY LICENSING AND MAXIMUM ROYALTIES
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PAGE 02 MANILA 01172 02 OF 03 240555Z

FEES, COULD HAVE AN ADVERSE EFFECT ON THE INVESTMENT CLIMATE. THE PRESIDENT RESPONDED BY STATING THAT THE EFFECTIVE DATE OF THIS DECREE WAS JANUARY 14, 1978, EXPLAINING THE REASONS FOR THE DECREE, ASSURING FOREIGN BUSINESSMEN OF FAIRNESS IN IMPLEMENTING IT AND PROMISING, "I WILL BE PERSONALLY WATCHING THE IMPLEMENTATION AND WE WILL BE REASONABLE IN IMPLEMENTING IT". THE PRESIDENT HAD A WRITTEN BRIEFING ON THIS SUBJECT IN HIS HAND. OTHER CONCERNS BROUGHT FORWARD BY OTHER BUSINESS REPRESENTATIVES WERE DIFFERENTIAL IMPORT DUTIES OF OTHER COUNTRIES FOR COCONUT OIL VERSUS COPRA; INDUSTRY DISPERSAL OUTSIDE OF MANILA RELATED TO ENVIRONMENTAL CONCERNS; THE JAPANESE TRADE SURPLUS WITH THE PHILIPPINES; AND THE SHORT SUPPLY DOMESTICALLY OF REFINED SUGAR.

4. IN THE EXCLUSIVE 45-MINUTE SESSION WITH REPRESENTATIVES OF AMERICAN BUSINESS, PRESIDENT MARCOS, AFTER HEARING MR. SUTER'S OPENING STATEMENT THAT WE WERE NOT FIGHTING FOR NATIONAL TREATMENT FOR AMERICAN INVESTMENT BUT RATHER CLEAR, CONSTANT RULES, STATED THAT HE WANTED PERSONALLY TO HEAR ABOUT SPECIFIC QUESTIONS OF UNFAIRNESS, INEQUITY OR DISCRIMINATION SO THAT HE COULD TAKE ACTION. HE POINTED OUT THAT THERE OFTEN WERE OTHER FACTORS IN THE PHILIPPINE CALCULUS, HE COULDN'T DEPEND ON THE MEDIA AS A BRIDGE BETWEEN HIMSELF AND FOREIGN INVESTORS, AND THE AMERICAN CHAMBER COULD ALWAYS GET AN APPOINTMENT WITH HIM.

5. JOHN SAGOVAC OF FORD BROUGHT UP HIS INABILITY TO IMPORT SOME 220 SIX-CYLINDER CARS (WHICH HAD BEEN AGREED TO IN RETURN FOR EXPORTS WHEN FORD INVESTED \$36 MILLION IN THE STAMPING PLANT AT BATAAN), POINTING OUT THAT FROM A FUEL ECONOMY STANDPOINT THESE CARS WERE AS EFFICIENT AS FOUR-LIMITED OFFICIAL USE

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PAGE 03 MANILA 01172 02 OF 03 240555Z

CYLINDER MERCEDES. THE PRESIDENT COMMENTED THAT GASOLINE CONSUMPTION OF AN AUTOMOBILE IS A MATTER OF FACT AND IN EFFECT INSISTED THAT A FINAL DECISION BE MADE BY HIS COLLEAGUES IN THIS MATTER, WHEREUPON SECRETARY PATERNO PROMISED THAT THIRTY DAYS SHOULD DO IT. GERARD BOYLE OF GENERAL MOTORS POINTED OUT THAT SUDDEN CHANGES OF DIRECTION IN THE GROUND RULES FOR THE AUTO INDUSTRY COULD BE HARMFUL TO THE PHILIPPINES AS WELL AS THE FOREIGN INVESTORS. (BOYLE COULD NOT RESIST ADDING THAT GM WAS IMPORTING FOUR-CYLINDER OPELS.)

6. RICK NEWPHER OF LEVI STRAUSS RAISED HIS FIRM'S PROBLEM OF INABILITY TO OBTAIN DOMESTICALLY MADE DENIM OF ADEQUATE QUALITY ON TIMELY DELIVERY, WHILE AT THE

SAME TIME THE CENTRAL BANK PREVENTED THE IMPORTATION OF THE NECESSARY MATERIAL. HE ASKED WHETHER THE GOP WOULD RECONSIDER THE EMBARGO OF TEXTILE IMPORTS, PARTICULARLY WHEN HIS COMPANY WAS EXPORTING 85 PERCENT OF ITS PRODUCTION AS AGAINST A COMMITMENT TO EXPORT 70 PERCENT. SECRETARIES PATERNO, VIRATA AND SICAT, AT THE PRESIDENT'S URGING, UNDERTOOK TO LOOK INTO THIS PROBLEM AS EARLY AS NEXT WEEK. THE PRESIDENT ALSO ORDERED A RE-STUDY OF THE TEXTILE IMPORT DUTY REGIME. VIRATA COMMENTED THAT THE LOCAL TEXTILE INDUSTRY WAS OVERPROTECTED.

7. ROD O'CONNOR OF CALTEX RAISED THE PROBLEM OF RECOVERING THE COST OF CRUDE OIL PRICE INCREASES. THE PRESIDENT REFERRED HIM TO SECRETARY OF ENERGY GERONIMO VELASCO AND UNDERTOOK TO TELL VELASCO THAT O'CONNOR HAD RAISED THE PROBLEM. W.T. HILLER OF CARNATION RAISED THE QUESTION OF THE PRICE OF MILK, TO WHICH THE PRESIDENT AND TANCO RESPONDED -- PLEASE SAVE THIS ONE UNTIL APRIL 3, I.E., THE DAY AFTER THE NATIONAL ELECTIONS.

8. COMMENT: BOTH SESSIONS, WITH ALL THE FOREIGN BUSINESSMEN CUM FILIPINOS AND WITH THE AMERICAN BUSINESSMEN ALONE LIMITED OFFICIAL USE

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PAGE 04 MANILA 01172 02 OF 03 240555Z

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PAGE 01 MANILA 01172 03 OF 03 240352Z

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XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 NRC-05 AGRE-00
ACDA-12 /103 W

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R 240245Z JAN 78

FM AMEMBASSY MANILA
TO SECSTATE WASHDC 706
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMCONSUL HONG KONG

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LIMITED OFFICIAL USE SECTION 3 OF 3 MANILA 1172

CINCPAC FOR POLAD

WERE CANDID, FORTHRIGHT AND CONSTRUCTIVE. THE CABINET SECRETARIES SEEMED ON TOP OF THE PROBLEMS RAISED, MOST OF WHICH FELL INTO THE BAILIWICKS OF SECRETARIES PATERNO, VIRATA AND SICAT. AS TO WHY THIS KIND OF A RAP SESSION AT THIS TIME, THE EMBASSY BELIEVES THAT MARCOS WISHED TO COUNTERACT THE RECENT ADVERSE PUBLICITY IN THE U.S. PRESS, ECHOED IN THE MANILA PRESS, CONCERNING THE BUSINESS DEALINGS OF INDIVIDUALS REPUTEDLY CLOSE TO THE PRESIDENT. THE EMBASSY IS INFORMED BY THE AMERICAN CHAMBER THAT THERE HAS BEEN NO SIMILAR DIALOGUE IN THE PAST BETWEEN PRESIDENT MARCOS AND THE FOREIGN BUSINESS COMMUNITY. MR. SUTER TOLD THE REPORTING OFFICER THAT THE FIRST HE HEARD ABOUT THE MEETING WAS BY TELEPHONE
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PAGE 02 MANILA 01172 03 OF 03 240352Z

FROM SECRETARY PATERNO ON THURSDAY, JANUARY 19 ASKING HIM TO ROUND UP THE REPRESENTATIVES OF THIRTY OR FORTY TOP LEVEL REPRESENTATIVES OF U.S. COMPANIES DOING BUSINESS IN THE PHILIPPINES. IN CONCLUDING THE SESSION, THE PRESIDENT INDICATED HE WOULD LIKE TO CONDUCT REPEAT PERFORMANCES, PERHAPS AS FREQUENTLY AS EVERY SIX MONTHS OR EVEN THREE MONTHS. THE PRESIDENT AND HIS MINISTERS DESIRED TO PORTRAY THE PHILIPPINE POLITICAL CLIMATE AS STABLE AND IMPROVING AND THE INVESTMENT CLIMATE, FOR FOREIGNERS AND FILIPINOS ALIKE, AS FAVORABLE AND PREDICTABLE. THE REACTION OF THE AMERICAN BUSINESSMEN WAS POSITIVE, PARTICULARLY AS A RESULT OF THE PRESIDENT'S FORTHCOMING RESPONSES TO CERTAIN OF THE QUESTIONS RAISED. IN SUM, LITTLE IF ANYTHING WAS CHANGED BY THE GET-TOGETHER. THE LOCAL MEDIA GAVE IT PROMINENT COVERAGE. BUSINESSMEN REMAIN FAVORABLY DISPOSED TOWARDS THE MARCOS REGIME AND THOSE WHO AIRED PROBLEMS WILL WAIT TO SEE WHETHER THE PRESIDENT'S POSITIVE ATTITUDE AT THE MEETING WILL BE TRANSLATED INTO POSITIVE ACTION BY HIS LIEUTENANTS.
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Errors: N/A
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Original Previous Classification: n/a
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TAGS: EINV, ECON, PINT, RP, (MARCOS, FERDINAND)
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